GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4891
ANSWERED ON:16.12.2016
Norms for Angel Funds
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Will the Minister of FINANCE be pleased to state:

(a) whether Securities and Exchange Board of India (SEBI) has liberalised norms for angel funds to invest in early stage entities as part of its attempts to facilitate fund raising for start ups and if so, the details thereof;

(b) whether the SEBI has enhanced the scope of investment of foreign investors in unlisted debt securities and if so, the details thereof; and

(c) whether the SEBI has permitted foreign portfolio investors to invest in unlisted non-convertible debentures and securitized debt instruments of a public or private company and if so, the details thereof and the outcome thereon?

Answer

The Minister of State for Finance
(a): A framework for registration and regulation of angel pools under a sub-category "Angel Funds" under Category I-Venture Capital Funds have been provided in SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations") on 16.09.2013. Subsequently, in the board meeting held on 23.11.2016, SEBI board approved amendments related to Angel Funds which are as under:
i. The upper limit for number of angel investors in a scheme is increased from forty nine (49) to two hundred (200).
ii. The definition of start-up for Angel Fund investments is now aligned with the definition of DIPP as given in their start-up policy.
iii. The requirements of minimum investment amount by an Angel Fund in any venture capital undertaking is reduced from fifty lakhs to twenty five lakhs.
iv. The lock-in requirement of investment made by Angel Funds in the venture capital undertaking is reduced from three years to one year.
v. Angel Funds are allowed to invest in overseas venture capital undertakings upto 25% of their investible corpus in line with other AIFs.
Reserve Bank of India (RBI) vide its notification dated October 20, 2016 has allowed any registered Foreign Venture Capital Investor (FVCI) to invest in equity or equity linked instrument or debt instrument issued by an Indian 'start-up' irrespective of the sector in which the start-up is engaged. The start-ups so eligible will be incorporated or registered in India not prior to five years, with an annual turnover not exceeding INR 25 crores in any preceding financial year, working towards innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property etc.

(b) & (c): On 24.10.2016, RBI amended FEMA to permit FPIs to invest in unlisted non-convertible debentures/bonds and securitised debt instruments. Further, RBI vide its circular dated 17.11.2016 has allowed SEBI registered Foreign Portfolio Investments (FPIs) to invest in unlisted corporate bonds subject to certain end use restrictions in real estate business, capital market and purchase of land and securitized debt instruments.
In the meeting of the SEBI Board dated 23.11.2016, it was decided that FPIs shall be permitted to invest in the following:
i. Unlisted corporate debt securities in the form of non-convertible debentures/bonds issued by an Indian company subject to the guidelines issued by the Ministry of Corporate Affairs from time to time.
ii. Securitised debt instruments, including (a) any certificate or instrument issued by a special purpose vehicle (SPV) set up for securitisation of assets with banks, Financial Institutions (FIs) or Non-bank financial companies (NBFCs) as originators; and/or (b) any certificate or instrument issued and listed in terms of the SEBI (Public Offer and Listing of Securitised Debt Instruments) Regulations, 2008.